

Michigan's County Road Agencies



Driving Our Economy Forward



Table of Contents:

1 Foreword.....1

2 What is a County Road Commission.....2

4 Where the Money Comes From.....4

5 The Distribution of Road Funding.....5

6 Where the Money Goes.....6

7 Rising Costs and Declining Revenues.....7

7 Asset Management.....7

8 Partners in Transportation8

10 Innovations and Efficiencies.....10

12 Moving Forward.....12

-Mackinac Center for Public Policy- April , 16, 2007

standpoint.”

“In order to compete in both old manufacturing and new service economies of the future, we will need a first-rate transportation system that is anchored by a well-maintained and reliable highway network.... Going forward we need to increase our transportation funding to make sure we have a clear-cut, competitive advantage in the reliability of our road network from both a freight and individual travel standpoint.”

- Governor's Transportation Funding Task Force, 2008

“The one choice we cannot afford is to do nothing.”

-The Road and Bridge Subcommittee of the Citizens Advisory Committee to the Governor's Transportation Funding Task Force, 2008

“Michigan will invest an estimated \$3.2 billion per year on its road and bridge system. ... To improve the road and bridge system (including MDOT, county and local systems) would require an estimated annual investment of \$6.1 billion.”

- Michigan Transportation Asset Management Council, 2008

“Michigan roads are deteriorating faster than they can be repaired or replaced.”



The first below-grade super highway was built by the Wayne County Road Commission in 1942. This freeway inspired the creation of the modern interstate system.

Foreword

County roads are the backbone of our state's economy; connecting state trunk lines and municipalities with the rest of the state.

From seasonal roads to seven-lane highways and beyond, county road agencies are responsible for the majority (75 percent) of Michigan's road system, representing more than 90,000 miles of Michigan's Roads and 5,700 bridges— the fourth largest local road system in the nation.

County road agencies enable the efficient movement of people, goods and services across Michigan. What was once a network of farm-to-market routes has grown into a modern road system connecting cities and villages with the rest of the state.

Although the responsibilities of county road agencies may vary from county to county, these are the talented men and women responsible for ensuring the safety and efficiency of all county roads and bridges within their jurisdiction.

The work of county road agencies often goes unnoticed; but they play a vital role in our daily lives. They build and maintain the roads that carry our children to school, see us safely to work and take us through the activities of daily life.

This report provides important and useful information about Michigan's county road system, how it is funded and what county road agencies do to make travel in Michigan safe and smooth.

What Is a County Road Commission?

County road commissions were organized by Public Act 283 of 1909 to achieve two primary goals:

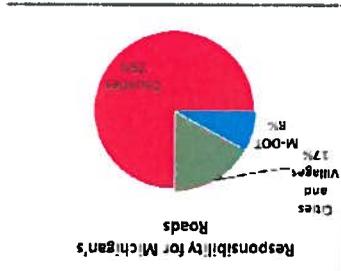
- To provide continuity in road construction and maintenance across the state, and
- To provide cost-efficient and high-quality road services for county roads.

Each of Michigan's 83 counties are served by a county road agency. County road commissions are not a direct part of the general county government, except in those counties with county road departments. As of January 1, 2013, those counties include Calhoun, Ingham, Macomb and Wayne.

Road commissions have three- or five-member boards of road commissioners that are either appointed by the county board of commissioners or elected by the voters. Both appointed and elected road commissioners serve six-year terms. The terms are staggered so that all commissioners are not up for re-election or re-appointment at the same time.

The county board of commissioners decides whether the county road commission, initially established by a vote of the people, will remain independent or be a county road department. If the county maintains a road commission, the county board determines if the road commissioner is appointed or elected and establishes the salary and benefits of the road commissioner. If the road commissioners are appointed, the county board makes the appointments.

Michigan's county road agencies are stewards of the largest road system in the state, and responsible for more than 75 percent of all Michigan roads.



Road commissions are a significant contributor to both the state and local economies. County road agencies employ more than 4,500 regular and temporary workers across the state, and are responsible for in excess of 75 percent of Michigan's 122,000 miles of roads.

With more than 90,000 miles of roads, streets and highways and 5,700 bridges, Michigan's county road agencies are the largest road owners in the state. In contrast, the Michigan Department of Transportation (MDOT) is responsible for 8 percent of Michigan's road mileage and the remaining 17 percent is under the jurisdiction of 533 cities and villages.

While the state trunklines carry the majority of vehicle miles traveled, the overwhelming majority of businesses and industries in Michigan are not located on state trunklines. Michigan's economy relies on both a vital state and local road and bridge network.

County road agencies are as diverse as the communities they serve and have a variety of responsibilities including:

- Building and maintaining everything from single-lane gravel roads to multi-lane divided highways;
- Road, bridge and culvert construction, repair and maintenance;
- Winter maintenance, including snow removal and salting;
- Preventive, roadside and gravel-road maintenance; and
- Ensuring safe and steady traffic patterns.



County road agencies are accessible to the public and serve as the link between the public and our local road and bridge system.

Open communication and dialogue is a goal of county road agencies as they seek to build and maintain a transportation infrastructure that meets the needs of their local communities and the state.

Road commissions, and in those counties with road departments county boards, hold regular board meetings at least once per month, with some counties meeting multiple times per month. The public is invited and encouraged to attend these meetings. Frequently public hearings are scheduled to seek input from residents and communicate on a variety of road and safety issues.



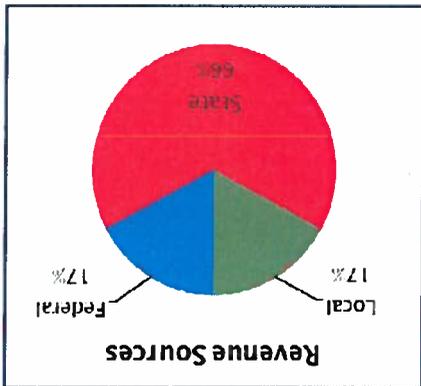
County road agencies are prohibited from using MTF resources to fund more than 50 percent of a project on a local road. While not required by law, townships typically contribute matching funds. The ability for counties and townships to generate additional revenues with millages or special assessments varies significantly across the state. Some counties receive no local funding and others receive as much as 20 percent of their funds from locally raised revenue sources.

Local Funds

Both MDOT and local road agencies are required to provide a match to federal funds; typically 20 percent of an improvement projects cost. If Michigan cannot provide the match, the federal funds would be returned to the Federal Highway Trust Fund, and distributed to other states. For the past several years, the legislature has had to provide MDOT with special appropriations to match all available federal-aid. Unfortunately, local agencies have not had this safety net. Many counties have had to delay approved federal-aid projects due to the lack of matching funds. CRAM has also noted that counties are no longer applying for all available federal safety grants and special funding due to a lack of matching funds.

Federal Funds

The Michigan Legislature last increased the gasoline tax in 1997 from 15 cents per gallon to 19 cents per gallon. The tax on diesel fuel was not increased. Of this four cent increase, three cents were distributed to state and local road agencies. The other penny was dedicated to bridges, with one half cent directed to MDOT to fix seriously deficient bridges on the state road system, and the other half cent directed to local road agencies under the Local Bridge Program.



The primary source of revenue to county road agencies comes from the Michigan Transportation Fund (MTF). All state fuel taxes, vehicle registration fees and other transportation-related fees are deposited into the MTF and distributed according to Public Act 51 of 1951. For many years, the largest source of income to the MTF has been the state gasoline tax. A combination of more fuel-efficient vehicles and motorists changing driving habits and purchasing less fuel have eroded the power of fuel taxes, making their future as a long-term funding solution uncertain.

The Michigan Transportation Fund

Where the Money Comes From

The Distribution of Road Funding

The revenues available from the Michigan Transportation Fund (MTF) are distributed according to a complex formula established in Public Act 51 of 1951.

Michigan Transportation Fund (MTF) Act 51 Distribution Formula

\$1.9 Billion-FY 2012

(Fuel Taxes \$956.2 M + Vehicle Registration Fees \$872.8 M + Misc. \$50.2 M)



Deductions	
Administration-Various State Agencies	\$29.7 million
Administration-MDOT	\$19.4 million
Recreation (DNR)	\$16.4 million
Local Bridge Fund	\$30 million
Railroad Crossings	\$3 million
MDOT Bridges	\$22.5 million
MDOT Debt	\$43 million
Transp. Economic Dev Fund (TEDF).....	\$40.4 million
Does not include driver license revenues of estimated \$12 million	
Comp. Transp. Fund (CTF-mass transit)	\$159 million
Does not include auto-related sales tax revenue of estimated \$80 million	
Local Road Program (LRP)	\$33 million
Distributed \$21.2 million to counties, \$11.8 million to municipalities	



Remainder: \$1.5 Billion



MDOT	83 County Road Agencies	Municipalities
39.1%	39.1%	21.8%
\$576.2 Million	\$576.2 Million	\$329.5 Million



Plus Admin. \$15.4 M. Bridges \$22.5 M. Debt \$43 M. \$ 661.1 Million*	Plus LRP \$21.2 M. \$597.2 Million*	Plus LRP \$11.8 M. \$ 341.5 Million*
--	---	--

*Does not include Local Bridge Fund or TEDF. The Local Bridge Fund is a competitive program between counties, cities and villages. TEDF is distributed between the three jurisdictions. A portion is competitive and the balance is a lump sum distribution.

The funding available to county road agencies is distributed using an internal formula specified by P.A. 51 of 1951. This formula weighs the following characteristics: the number of vehicle registrations per county (a measure of traffic volume); population; road mileage in the county; some counties receive an additional allotment based on historical snowfall data; and counties with urban road mileage are eligible for an additional allotment.

Where the Money Goes

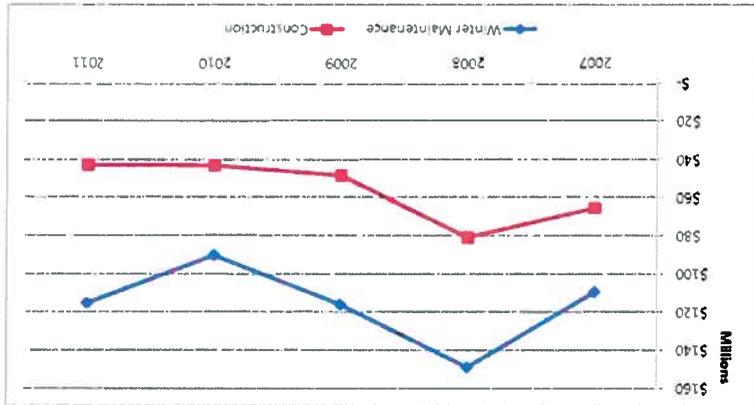
County road agencies are good stewards of the funds made available to them. A requirement in P.A. 51 of 1951 prohibits road agencies from spending more than 10 percent of MTF revenues on administration. Most road commissions spend significantly less. A summary prepared by MDOT of all county revenues and expenditures in 2011 reveals that administrative expenses average only 6.9 percent of revenues.

Despite double-digit increases in health care costs the administrative expenses of county road agencies have not increased substantially in recent years.

The Michigan Transportation Fund (MTF) continues to generate less revenue now than in 2001. County road agencies have responded by increasing efficiencies and cutting budgets in areas with the least possible impact to motorists. CRAMI has prepared several reports highlighting the reforms and efficiencies implemented by county road agencies in the areas of: labor and equipment sharing; joint purchasing of equipment and materials; joint projects and cost-sharing with other entities; public-private partnerships; enhancements to summer and winter operations; administrative efficiencies; and other reforms.

Reduced funding levels and skyrocketing costs have made it difficult for many road agencies to undertake large construction or reconstruction projects without federal-aid. The bulk of county road agency funds are directed toward static costs such as preventive maintenance, heavy maintenance, snow removal, salt, fuel, asphalt, and other construction materials.

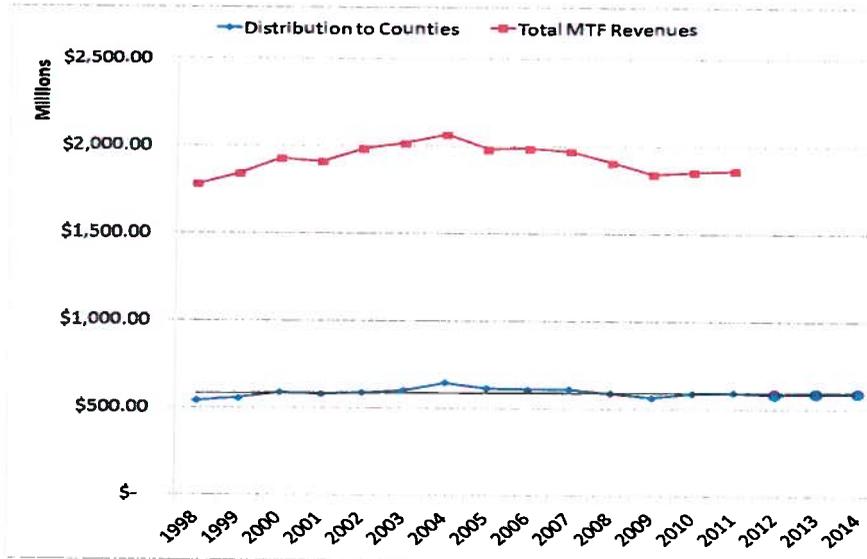
Road agencies take seriously the need to keep roads cleared for commerce and safe travel. As winter maintenance budgets have increased, road agencies have been left with no choice but to decrease spending on the construction and preservation of our state and local road and bridge system.



County road agencies have done everything possible with the level of funding available, but the majority of counties have been forced to make deep cuts including: layoffs; working with equipment beyond its service life; reducing construction and maintenance; and 36 county road agencies have reverted paved roads to gravel. County road agencies have reached a point where there is nothing left to cut that will not negatively impact the level of services provided. Many are now in danger of having no choice but to cutback beyond the point of efficiency. We simply cannot cut ourselves out of the looming funding crisis.

Rising Costs and Declining Revenues

Significant material and price increases have eroded available resources. The Producer Price Index for construction materials has increased 51.6 percent since 2003, more than double the rate of inflation over the same period. Cost of materials such as diesel fuel, asphalt, plow blades and salt used for ice control have more than doubled in recent years. Meanwhile MTF revenue continues to decline. The following chart shows the trends in MTF revenues and MTF distributions to counties over the past decade.



Asset Management

Asset Management is a best management practice which focuses on preserving the condition of roads rather than allowing them to deteriorate to a more expensive state of repair. Using asset management allows road agencies to extend the service life of roads in good or fair condition with less expenditure. The Transportation Asset Management Council (TAMC) has implemented a uniform rating system for all roads and bridges in the state and has collected data on Michigan’s federal-aid eligible road system since 2004. In 2008, TAMC also began collecting data on the non-federal-aid road network; which statistics show is in much worse condition.

In 2004, 13.6 percent of lane miles were identified as needing structural improvement. By 2011, that number had more than doubled to 35.1 percent. In 2004, nearly 88 percent of federal-aid roads were in good or fair condition. In 2011, that figure fell sharply to 64.9 percent. We simply cannot continue to allow Michigan roads to deteriorate. The cost of returning a poor road to good condition is four to five times greater than returning a fair road to good condition. We must properly fund preventative maintenance for all road agencies if we are to reverse these trends. Action is needed now.

In 2004, the cost of returning all roads to good condition was \$3.68 billion. By 2011, just to get back to 2004 road condition ratings, TAMC estimated the cost at nearly \$11.52 billion.

Partners In Transportation

Nearly 100 years ago, Michigan voters adopted three levels of road jurisdiction. State law gives cities and villages, county road agencies, and the Michigan Department of Transportation (MDOT) jurisdiction over roads. These three governmental entities are responsible for building and maintaining the roads and bridges under their jurisdictions. County road agencies are partners with all levels of government to provide services to Michigan motorists.

Partners with the State (MDOT)

Sixty-three county road agencies are contracted by MDOT to perform maintenance and snow removal on the state trunklines in their counties. These counties are reimbursed by MDOT for the cost of providing those services. This partnership saves the state millions of dollars each year by eliminating the need for dual purchases of equipment and facilities.

Under contract, Alcona County Road Commission maintains the state trunklines, including snow removal.



Partners with Local Governments

County road agencies maintain roads in townships and some cities and villages. As the road owners, county road agencies meet with township officials on a regular basis to help determine maintenance and construction priorities.

Road commissioners represent the interests of the entire county, rather than being elected or appointed by district. This helps to ensure the needs of one community are not placed above another. The asset management process, traffic

patterns, road network considerations, and funding availability are used to determine which road projects are completed and when.

Partners with Other Local Road Agencies

County road agencies work with adjoining road owners to provide continuity of travel for motorists, to reduce costs, and to provide enhanced services to residents. The cooperative spirit has long been a tradition and has become even more important in this day of tight budgets and declining revenues. County road agencies are more interested than ever in cost-savings-arrangements. The majority of counties share equipment with other agencies, join forces to purchase materials and equipment at better rates, and even partner in their maintenance responsibilities.

Sharing equipment cuts road agencies' costs.



An application of Chip Seal on this Clinton County road will extend the life of the pavement for several years.



Often, adjacent cities and counties will swap snow plow routes. When a snow plow route is a long way from the county's nearest maintenance garage, it can save considerable time and fuel by working with a neighboring city or county to assist in plowing roads across the county line.



Each township in Emmet County has a millage for road improvements.

Partners in Funding Local Projects

Although road commissions have no taxing authority, county boards have the authority, with voter approval, to raise revenues dedicated to road funding. Nineteen counties in Michigan have county-wide road millages.

Townships, cities and villages often help provide local matching funds. Some townships have voter-approved road millages to provide matching funds and pay for additional services not offered by the county such as extra brine applications on gravel roads for dust control.

In some cases county boards supplement funding for road projects. Special assessments are also an option for generating revenue. This is a popular option for subdivision projects.

Vital Participant in Michigan's Economy

Michigan's county road agencies are a vital partner in keeping our state and local economies running. They are the agencies responsible for keeping roads open to commerce and safe for travel. Beyond providing roads that keep our economy moving, see our children safely to school, ensure delivery of emergency services, and take us on our daily travels, county road agencies employ more than 4,500 Michigan workers and support local commerce and contractors across the state.

According to a 2008 report issued by the Governor's Transportation Funding Task Force (TF2), adequately funding transportation by doubling transportation funding would sustain 126,000 Michigan jobs and yield nearly \$15 billion in other economic benefits across all sectors of the economy.

A 2012 study by The Road Information Project (TRIP) found that the average Michigander pays nearly \$400 annually in unnecessary repairs to their vehicle due to poor roads. Replacing tires, struts, shocks, and other costly vehicle parts becomes more frequent as our roads and bridges deteriorate. By investing a little more in our infrastructure, everyone would see less damage to their vehicles and less need for repairs.

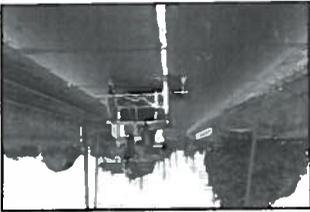
It is clear that increasing transportation funding is the economic stimulus that Michigan needs.

Local Roads Matter: to schools; to businesses; to emergency response times; to seniors; to health care; to families; to agriculture; to tourism; to revitalization; to the economy; and to every Michigan resident!

Innovations and Efficiencies

Michigan is not just the birthplace of the mass-produced automobile, our county road agencies gave birth to the modern road-building industry. The Wayne County Road Commission, now Wayne County Department of Public Services, is responsible for the following innovations:

- The first mile of concrete road (Woodward Avenue) was built in 1909;
- The first modern road maintenance facility and testing lab was constructed in 1910;



- The first center line painter was developed in 1911. This traffic safety tool has perhaps saved more lives than any invention since;



- The first snow plow was developed in 1912; and
- The first below-grade superhighway, The Davison, was built in 1942.



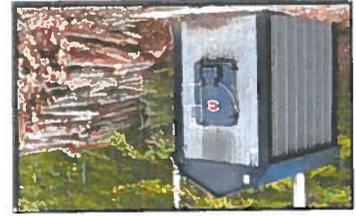
Road Commissions continue to be innovative through the advances of modern technology and engineering techniques.

Innovations and efficiencies, both large and small, have allowed county road agencies to do more with less.

The Road Commission for Oakland County is working to reduce congestion in Oakland County by installing FAST-TRAC, the second-largest system of adaptive traffic signals in North America. FAST-TRAC has been documented to reduce serious injuries by more than 50 percent and significantly reduce congestion.



The Emmet County Road Commission conducted an energy audit in 2009 to determine ways to reduce expenses associated with heating their garages. The Road Commission has a vast supply of wood that is removed from the road right-of-way to improve safety and sight distance for motorists. This energy audit led to improved insulation of windows and doors and the installation of an outdoor wood furnace. Emmet CRC realized \$15,000 in savings the first year, and estimates \$20,000 in annual savings.





To prolong the life of its equipment, the Manistee County Road Commission, for a total investment of \$150, designed and built an innovative system to clean difficult to reach portions of truck undercarriages. Like the snow plow, this simple invention saves significant staff time.

County road agencies across the state are using new technology like patrol wings to improve the efficiency of winter maintenance operations. The patrol wing allows the operator to clear both the lane of travel and the shoulder in the same pass, saving fuel and reducing expenses related to employee salaries and benefits.



Examples could be provided for each of Michigan's county road agencies. Counties share their innovations and efficiencies with each other through posts on CRAM's various listservs, sessions at educational workshops, and via two annual award programs recognizing best practices in road agency operations. The constant effort to increase efficiency and effectiveness is not something most road agencies publicize – it is considered a normal part of doing business.

In 2008, the Governor's Transportation Funding Task Force concluded:

“Transportation agencies have been relentlessly vigilant in stretching shrinking revenue. Their efforts may go unnoticed, because the cost cutting measures are designed not to disrupt service or impose on customers.... It is clear that efficiency is standard operating procedure at agencies across the state.”

County road agencies have worked together for the past 95 years through the County Road Association of Michigan (CRAM) to build money-saving consortiums and share best practices. In 1978, the County Road Association Self Insurance Fund (CRASIF) was formed to provide workers' compensation insurance pooling; saving road commissions more than \$13 million in premium discounts and \$52 million in refunds over the past 35 years. Today, 72 counties participate in CRASIF, covering more than 4,000 employees.

In the late 1970s and early 1980s road commissions had trouble finding insurance carriers to provide for the unique needs of road agencies. CRAM worked to secure enabling legislation, Public Act 138 of 1982, to allow the pooling of risk. Today, 77 road commissions are members of the Michigan County Road Commission Self Insurance Pool (MCRCSIP) which covers the property and casualty insurance needs of road commissions.

County road agencies have also been ahead of the curve in implementing pension and health benefit reforms. Despite the innovations and efficiencies of county road agencies, funding has not allowed state and local road agencies to keep up with the needs of our aging infrastructure. While agencies continue to seek any possible cost-savings, there is no way to cut or reform ourselves out of a more than \$1.5 billion annual funding shortfall.

Moving Forward

In order to move forward it is imperative to recognize how a state once known for its road building innovation is now recognized as having some of the worst roads in the nation. The answer lies in decades of underfunding. When compared to other states, Michigan's state and local transportation funding has ranked 42nd or worse for nearly half a century. Quite simply, our roads and bridges have not been a budgetary priority. Our crumbling roads and bridges are the result of misplaced priorities!

We did not get into this funding hole overnight and although we need to stop digging, the solution may take time. However, data from the TAMC revealing that Michigan has lost \$7.8 billion in road asset value from 2004-2011 is evidence that we must start solving the problem today.

In November 2008, the legislatively-approved and gubernatorial appointed Transportation Funding Task Force (TF2), after considerable research, recommended that the legislature double our current level of investment in transportation (\$3 billion annually) with \$1.65 billion alone needed to maintain our roads and bridges at their current condition ratings. With inflation and increased deterioration—a loss of \$1 billion in asset value annually—the \$3 billion needed in 2008, \$1.65 for roads and bridges, is likely much higher today.

Former State Rep. Rick Olson (R-Washnaw) led a House work group which studied transportation spending and investment needs during the 2011-2012 Legislative Session. In 2012, Rep. Olson estimated the minimum annual funding increase needed just to meet our pavement preservation needs at \$1.54 billion. This does not include any new funding for routine maintenance including the maintenance of approximately 40,000 miles of gravel roads; local or state agency equipment needs; traffic safety and capacity improvements; or transit.

In the fall of 2012, a Senate Transportation Task Force held a series of hearings with the goal of determining the level of funding required to meet the short and long-term needs of Michigan's transportation infrastructure, and the funding sources and options available to raise this revenue. Testimony from a variety of sources led the group to conclude that the need is likely greater to-day than it was in 2008, when TF2 concluded that Michigan needed to double our current investment in transportation. While the Task Force members debated how much could be spent on preserving roads and bridges annually without negatively impacting commerce, all parties agreed that state and local road agencies could spend the additional \$1.54 billion suggested by Rep. Olson.

In 2011, Gov. Snyder showed bold leadership in his Special Message on Infrastructure by acknowledging that we can no longer put off reinvesting in our deteriorating infrastructure.

Per Capita State & Local Expenditures (Michigan's Rank in the Nation)

Expenditures	1964	1974	1984	1988	1992	2008
Health	5	8	9	3	12	13
Education	11	7	10	7	11	9
Welfare	31	5	3	8	17	32
Roads	43	44	42	44	49	42

Source: U.S. Census Bureau

- Michigan has the 8th largest public road system in the U.S.

Both the Olson Report and the work of the Senate Task Force support the Governor's call for action. Our transportation infrastructure is essential to growing Michigan's economy, enhancing its quality of life and retaining young talent.

The TAMC issued a dire warning in their 2011 Annual Report.

"At current funding levels, the condition of Michigan's transportation infrastructure will continue to deteriorate. This alarming decline in condition of Michigan's infrastructure affects everyone—from businesses that rely on the transportation network to transport goods and services; from tourists visiting or traveling through our great state to our citizens who expect safe and convenient access to work and school. Reinvesting in our transportation system and maintaining these vital public assets are essential to securing a better future for all of Michigan's citizens."

During the waning days of the 2007-2008 Legislative Session, the TF2 warned "the one choice we cannot afford is to do nothing." As the quotes inside the front cover reveal, we have already ignored too many warnings. We are now seeing the results of ignoring those warnings. To quote the words of Gov. Snyder in his 2011 Infrastructure message, "it's time to seriously engage in this issue that is so vital to Michigan's future."

As we enter the 2013-2014 Legislative Session, the future of our transportation system will be decided by the members of the current Legislature. The question is simple. What kind of future do you want for your district and the great State of Michigan? Without a significant increase in road funding for both state and local road agencies, our roads and bridges will never be in better condition than they are in today. They will be worse!

Michigan's county road agencies stand ready to work in collaboration with other transportation and government leaders to deliver a state-of-the-art road and bridge network that will help dig our sluggish economy out of a deep snow.

County Road Association of Michigan—CRAM

The County Road Association of Michigan (CRAM) represents the interests and concerns of Michigan's 83 county road agencies. Along with each county road agency, CRAM is working to ensure safe and efficient roads for all who travel in Michigan.

Individual county road agencies are responsible for ensuring the safety and efficiency of all county roads and bridges within their jurisdiction. Michigan's county road agencies are staffed by talented teams of administrative, engineering, construction and road maintenance professionals. For more information on your county road agency, visit our website.

County Road Association of Michigan
417 Seymour ~ Suite One
Lansing, MI 48933
Phone: 517.482.1189
Fax: 517.482.1253
www.micountyroads.org

